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HEADLINE: Q2 2004 Adolph **Coors,** Co. Earnings Conference Call – Final

BODY:

OPERATOR: Good day, ladies and gentlemen, and welcome to the Adolph **Coors** Company 2004 second quarter earnings conference call. At this time, all participants are in a listen-only mode. Later we will conduct a question and answer session and instructions will follow at that time. If you require assistance during the conference, please press star then 0 on your touch tone telephone. As a reminder this conference call is being recorded. I would now like to introduce your host for today's conference, Mr. Leo Kiely, the President and Chief Executive Officer of the **Coors** Brewing Company. Sir, you may begin.

LEO KIELY, PRESIDENT, CEO, ADOLPH **COORS,** CO.: Thanks Matt. Hello and welcome everybody. Thanks for joining us today. With me on the call today are Pete **Coors,** Tim Wolf, Peter Kendall, CEO of our **Coors** Brewing Limited Company, David Barnes, our U.S. CFO, Katie MacWilliams, CFO of **Coors** Brewery Limited, Ron Tryggestad, our Global Controller and Dave Dunwald, (ph) our Investor Relations Director. Peter Kendall and Katie are in the U.K. The rest of the team is either here in New York or in Golden.

On the call today, Tim and I will cover two topics with you, first, a discussion of Coors Brewing Company second quarter 2004 results and second, a perspective on the back half of this year for the Company and then we will open it up for questions. Earlier this morning we reported second quarter total Company net sales up 4.6% with gross margin and operating margin increasing against a relatively strong quarter a year ago. Modestly higher operating results were driven by improved pricing in our major markets, solid margin and profit growth in the U.K., continued strong performance of Coors Light in Canada and — and favorable foreign exchange rates. These positive factors were partially offset by the negative impacts of distributor inventory changes and higher costs in our Americas business versus a year ago. Consolidated net income decreased at $72.0 million or $1.90 per share, down 5.6% from $76.3 million or $2.09 per share a year ago. Our lower bottom line results were primarily due to a one-time reduction in our effective tax rate last year, as you will recall, and higher dilutive shares outstanding this year.

Now, let's review the most important drivers in the second quarter results starting with our Americas segment. Pretax income for this segment was $90.8 million, up slightly from a year ago. The solid pricing and strong Canada performance that we achieved in this business were offset by the revenue and cost impact of wholesale inventory dynamics, along with higher transportation costs. Looking at our market results by line item: Our Americas sales to retail decreased 0.4% in the second quarter, more than all of this decline was the result of weakness in a handful of key markets. Sales to retail actually grew in five of our seven highest volume states, which collectively account for about half of our U.S. volume. Of these big states, STRs declined only in Pennsylvania and Texas, where we're working actively to address unique issues affecting those markets.

Sales to retail in our remaining five big states, California, New York, New Jersey, Florida and Colorado grew nearly 4% in the quarter. We're particularly encouraged by our trends in California and New Jersey, where volume had been weak for over a year but where we saw a significant turn around in the quarter. Sales to retail were aided by the national world out of Aspen Edge, which added approximately 2 percentage points of growth in the quarter. Aspen Edge is already our fifth largest U.S. brand after being national for only a couple of months. Feedback from consumers is very positive. Repeat/repurchase rates are strong and market research data shows that our advertising is working. And a few short months, the brand has established itself at the No. 2 low carb beer in the U.S. Keystone Light grew

at low single digit rate in the quarter. While the Zima brand family bolstered by the introduction of the Zima XXX flavors grew at a low double-digit rate. We're encouraged by the rebound in the high margin Zima family, which had been declining for over three years before the brand relaunched earlier this year.

Offsetting our growth from Aspen Edge, Keystone and Zima were declines in Coors Light, Coors Original and Killian's. Coors Light grew in many areas of the U.S., including three of our largest beer markets in the country, these gains however were offset by weakness in key markets—weaknesses in key markets, leading to an overall low single digit rate decline. Coors Original and Killian's both declined at low double-digit rates. Americas volume to wholesalers decreased 5.2% because of a 300,000 barrel year-over-year swing in distributor inventory patterns. Our sales to wholesalers in the second quarter were impacted because our distributors started the second quarter this year with inventories about 150,000 barrels higher than a year earlier and ended the quarter with inventories 150,000 barrels lower than a year ago, partly reflecting distributor confidence in our supply system.

This combined 300,000 barrel inventory shift negatively impacted the second quarter of the Americas results by approximately $15 million year-over-year through lower sales and fixed cost to leverage. In Canada, our Coors Light business continues to perform well with pretax income growing 26.3% to $15 million in the second quarter driven by mid-single digit volume growth, higher pricing and a 2.6% depreciation in the Canadian dollar versus the U.S. dollar. America's net revenue per barrel increased 3.6% in the second quarter driven by three factors.

First, about 220 basis points of U.S. pricing growth, second, roughly 90 basis points of brand and geographic mix, positive in the quarter. And third, 50 basis points related to strong results from our Coors Light business in Canada. America's cost of goods per barrel increased 2.4% in the quarter, several factors drove the majority of this increase. Most important, the sales volume declined caused by the changes in wholesale or inventory patterns versus a year ago resulted in a lack of fixed cost leverage.

Second, outbound transportation costs were significantly higher than prior year with increased fuel costs and carrier pricing driven by new regulations and competitor dynamics in the transportation industry. Third, we saw a mixed shift toward more expensive packages, the results of growth of Zima and the introduction of Aspen Edge. These products, sold primarily in bottles are higher cost, but remember also generate larger gross margins.

Finally, our cost relating to the disposal of finished goods inventory were about $7 million higher than usual in the second quarter. These costs were in part the result of our focus on improving customer service through the first half of the year following our supply chain disruptions last year. To ensure high order fill rates, we deployed unusually high levels of inventory, particularly on our new products to our distribution system earlier in the year. While we did experience higher than usual losses of finished goods product, our distributors and we are pleased with the dramatic improvement in order fill rates this year and our inventories headed into Q3 are essentially back to normal seasonal levels. A portion of these cost increases were offset by continued improvements in operations productivity and by the new JV accounting rule.

Marketing, G&A and administrative expense in the Americas increased 4.8% per barrel in the second quarter, about 3/4 of this increase was attributable to additional front end investments and sales and the introduction of Aspen Edge this year. With most of the balance related to information system costs. Turning now to results of our Europe segment, pretax income was $51.2 million, up 22% from a year ago. Overall the, this was a solid second quarter for our Europe business with good volume performance against a big growth quarter a year ago and significantly improved margins in both our on-trade and off-trade businesses. Our Europe financial results in the second quarter were affected by an 11.6% year-over-year appreciation in the British pound against the dollar. Favorable exchange rates boosted European pretax income about $5.1 million and we gave about 1/3 of that back through higher interest expense on our pound denominated debt. Now, let's look at the Europe highlights for the quarter.

In the second quarter we grew overall volume of our own and licensed U.K. brands at 0.8% with high single digit Carling growth, more than offsetting declines in other brands this volume result was significant because it was overlapping an 8.1% increase a year ago that was in part driven by aggressive off-trade price discounting last year. Another volume headwind this year was the off-trade retail load-in ahead of the U.K. excise tax increase in late March that reduced second quarter Europe volume growth by about 200 basis points. Volume in our on-trade business, representing 2/3 of our Europe volume, increased more than 2% because of strong growth in Carling and Carling Extra Cold. On trade factor brand sales increased about $7 million in the second quarter with a positive impact on revenue but a small negative impact on margin because of a mix shift of factored sales toward lower margin customers. Our

off-trade volume increased slightly in the quarter on the continued strength of the Carling brand.

Cost of goods per barrel sold for our own brands, excluding factor band sales, declined modestly in local currency versus a year ago driven by reduced contract packaging, by products by other brewers, lower maintenance costs and the new JV accounting rule. Marketing and general administrative costs and local currency increased about 9% primarily due to the new joint venture accounting rule, in addition to restructuring our sales organization. In other income in Europe, it decreased $1.7 million largely as a result of non-recurring gains in the sale of property a year ago. So, at this point I'll turn it over to Tim to review second quarter corporate and consolidated highlights and take a look at the balance of 2004. Timothy?

TIMOTHY WOLF, CFO, VP, ADOLPH COORS, CO.: Leo, thank you and hello everybody. Continuing with our second quarter P&L, corporate interest expense was $16.9 million, $5 million lower than last year due to lower debt levels this year and $2.4 million of accelerated amortization fees last year related to the restructuring of some of our debt. Here's the expense this year declined despite about $1.5 million of increased interest expense related to foreign exchange and $700,000 from new joint venture accounting rules. Speaking of debt, in the first half of this year, we made payments on our debt [INAUDIBLE] about $168 million.

As our previously announced asset modernization products this year, including the sale of our Cape Hill Brewery property, we are on track to achieve debt reduction in excess of $250 million and this does not include modernization products that we might pursue in the back half of the year. Two and a half years since we bought the U.K. business, we've made $648 million of debt principal repayments end of the second quarter, and this represents nearly 40% of our original CBL acquisition debt. Our effective tax rate was 32.0% in the second quarter, up from 25.8% a year ago and our effective tax rate was temporarily reduced to the settlement of five years of tax audits. The full year impact of the tax rate reduced earnings by 19 cents per share in the second quarter. Speaking of the bottom line, second quarter net income for the Company was $72.0 million or $1.90 per share — per diluted share, down from $2.09 per share a year ago. Favorable exchange rates boosted our consolidated income by about $4 million pretax or 7 cents per share after tax.

I'll preface the [INAUDIBLE] by paraphrasing our Safe Harbor language, some of what we discuss now in the Q&A, may constitute forward-looking statements, actual results could differ materially from what we project today, so please refer to our most recent 10K and 10Q filings for a more complete description of factors that could affect our projections. Barring any non-U.S. GAAP measures we may discuss during the call, please visit our web site at www.Coors.com for reconciliation of these measures to the nearest GAAP results. We'll start by reviewing some factors that will affect the magnitude and timing of our earnings during the balance of 2004 by segment. Americas, our focus is solidly on re-invigorating U.S. volume growth, both our portfolio in general and Coors Light specifically. The key summer selling holidays are important bellwether for our success in the year.

The results of this year are so far mixed with STRs for the three weeks around Memorial Day up over 3%, while retail volume for the three weeks for July 4th were down about the same amount. Successful, we will need to build momentum for the remainder of the summer. We have new creative for both Coors Light and Aspen Edge to air in the second half and are optimistic about programming around our NFL sponsorship. Goals have targeted initiatives designed to turn around trends in our core markets of Texas and Pennsylvania. The specific factors behind our declines in these two markets differ and so our approach to remedying this situation [INAUDIBLE] to address those factors. In the second half of 2004, we're expecting NGNA spend to trend higher due to foreign investments and sales efforts and support for Aspen Edge. Positive factors for the balance of the year include strong pricing in the U.S. and an expectation of continued solid performance in the business.

Year-over-year inventory dynamics in the second quarter, as you heard earlier, impacted Americas results by about $15 million through lower unit volume and higher cost of goods sold. For the balance of the year, we believe the effects of inventory dynamics are largely behind us, while inventory patterns are hard to predict as we're still in the first year of our new supply chain systems. Wholesale customers taking advantage by new ordering tools and more reliable product supply appear to be comfortable with lowered inventories than they have been in the past. Bottom line is we're more reliable. Finished goods losses were also a significant factor in the second quarter, accounting for year on year cost increase of approximately $7 million. While we believe the issue is largely behind us, we're still learning to use and optimize our new supply chain system and look for continued improvements.

For the balance of the year will continue to be impacted by increases in transportation rates, packaging material

costs, which are often very hard to predict, always our operations team remains committed to offsetting inflation costs for a broad range of productivity initiatives. Our pricing margin trends continue to improve within both the on and off-trade channels. This positive trend has been driven by modest pricing, less aggressive off-trade price discounting and reduced contract packaging of our brands by other brewers. On the other hand, we do foresee higher spending on overheads, including higher costs related to information systems and servicing growth and the U.K. rollout of Coors Fine Light Beer. Also, we believe that factored beer sales will continue to have a modest negative impact on profit in the second half of this year. In terms of company-wide factors, we anticipate that our 2004 effective tax rate will be in the range of 31% to 33%, up slightly from the 31.2% in 2003, primarily due to overlapping the one-time tax benefits of resulting five years of tax audits last year. As always, future events, including asset modernizations, could alter our tax rate outlook for 2004 and beyond. As I mentioned in our last call, we estimate that the new FIN 46 accounting standards will have no significant impact on our full year earnings. Above the bottom line, however, operating and pretax income will tend to be higher because the minorities owner shares of joint venture income is now included in these totals while in prior years only our share was included.

The quarterly impact on cost of goods sold, MG&A and interest expense will also be significant and with a magnitude dependent on the performance of our container of our gross operating ventures. Finally basic [INAUDIBLE] share outstanding continues to trend so far this year due to the combination of options exercises and higher [INAUDIBLE] With this over-view of the second half of 2004 following our few additional quarter-specific factors to consider as we look ahead. In the third quarter in the U.K., we will be lapping very hot weather last year and a $3.5 million gain on the sales of the rights to our Hooper's Hooch brand in Russia, both of which boosted results a year ago. In the fourth quarter this year, results will be helped by several factors. First, we'll be lapping the declining U.S. sales to retail and additional supply chain costs of about $8 million in the fourth quarter of 2003. Second, we believe Aspen Edge will perform well during the holiday — late in the year, due to some seasonality that we expect in the low carbs category. Third, in the U.K., we anticipate volume acceleration in the off-trade due to relatively easy comparisons from the prior year. Fourth, we expect to book a one-time pretax gain of approximately $7 million in the fourth quarter from the sale of our Cape Hill Brewery property.

And last, in total, if you add all the factors, we anticipate the balance of the year to benefit from the comparisons we face in the first half, particularly in the Americas in the fourth quarter. Let me turn it back to you, Leo, to wrap us up.

LEO KIELY: Thank you. Thanks, Tim. In summary, our second quarter performance showed improving trends in key areas of the business. We were challenged by U.S. distributor inventory dynamics and difficult volume comparisons in the U.K. In the face of these challenges, our results represent a significant achievement.

The global beer industry is the most dynamic and competitive that we have seen and with growing competition and accelerating consolidations in all levels. To succeed in this challenging environment, we must maintain our focus on the fundamentals that drive our business. In addition, we must broaden the strength of our business on a global basis. With this imperative in mind we announced this morning our definitive agreement to merge with Molson. By combining these two great brewing companies, we're creating a stronger, more diversified Company that will have the organizational scale and financial strength to compete effectively on a consolidating global beer industry and to build value for our shareholders. With all of this together to realize the full potential of these two great companies. At this point, Matt, let's open it up for questions.

OPERATOR: Thank you, sir. If you have a question at this time, please press the 1 key on your touch-tone telephone. If your question has been answered or you wish to remove yourself from the queue, please press the pound key. Our first question comes from Jeff Kanter with Prudential Equity Group.

JEFF KANTER, ANALYST, PRUDENTIAL EQUITY GROUP: Good afternoon, gentlemen.

LEO KIELY: Hi, Jeff.

JEFF KANTER: Tim, is it — your prior guidance on the tax rate was 32 to 35 I believe, what's bringing it down to 31 to 33?

TIMOTHY WOLF: Well, one thing that you have to understand, Jeff, is — as we do these modernization projects and as you will recall we were successful in arranging a deal with a company called Trend Star to take on the challenge of procurring and managing our keg inventory.

JEFF KANTER: Right.

TIMOTHY WOLF: And took in a significant amount of cash that makes our tax rate change. With the structure we've got, and I think we've gone through it almost every quarter since our acquisition of CBL, our tax rate is more volatile than it was when we were just the Americas. And — and that's — that's one of the reasons it's trending down.

JEFF KANTER: Okay. What did the — what did the beer industry grow at in the second quarter? Do you have any — any indication? In other words, did you gain or lose share?

LEO KIELY: I don't think we've seen — we're all staring at each other, I'm not sure we've seen June data yet. So, I really don't have a good handle on that this morning.

JEFF KANTER: Okay. You know, you talked about costs, you know, there was some serious leaks, there was some cost pressures, you have tough comps in the U.K. Your STRs seem like they're running flat quarter to date. I mean — we — there's — there's — there's no collar on your acquisition with Molson, so, earnings matter. Do you think you're going to be able to grow, you know, outside of a lower tax rate, do you think you're going to have an up second half or a down second half?

TIMOTHY WOLF: Well, you know, we're not going to give you guidance on that, but, you know, what I will say about the quarter is many of the — many of the negative things that impacted us in the quarter were relatively one-time events. The inventory shift was a huge impact in the quarter. The cost headwinds we faced in the quarter were unusually high. Largely on the basis of still settling down our — our new supply chain capability in the face of launching new products. So, you know, there is some optimism there, probably the — the most positive single number in the quarter in the U.S. was the pricing yield and if you look at the U.K., volume trends in the U.K. are very solid and they were just overlapping an unusually high quarter a year ago, again with some buy-in dynamics coming into this quarter, which we told you about last quarter, sort of muted the performance even this year in the face of that.

JEFF KANTER: And last question, and advertising in the quarter year-over-year, was it up or down in your expectations for the duration of the year? Thank you.

TIMOTHY WOLF: Up — up modestly for the year. It's up Coors Light and, of course, you've got Aspen Edge as an increment.

JEFF KANTER: Okay, thank you.

TIMOTHY WOLF: You got it.

OPERATOR: Thank you. Our next question comes from Caroline Levy with UBS.

CAROLINE LEVY, ANALYST, UBS: Hi again, everybody.

LEO KIELY: Hi, Caroline.

CAROLINE LEVY: Leo, I wondered if you could elaborate on the regional issues and what's going on in those, [INAUDIBLE] Pennsylvania and Texas?

LEO KIELY: You know, I missed the very end of your question. I think I got the gist —

CAROLINE LEVY: Sorry, if you could elaborate on Texas and Pennsylvania?

LEO KIELY: Sure. Pennsylvania is — is sort of a perfect storm. We've got an industry issue going on, vis-a-vis the spirits business and this is the second year of that. I think you're familiar with that. On top of that is — is a very active low carb market, which, as you know, a very high share market for us. What we've done in Pennsylvania, in the face of that, was really a duel-pronged initiative. One is to bring special promotional items, particularly in the form of special packages, that are particularly tailored to the home D segment. As you know, it is a different distribution segment there, it's a different nature entirely dependent on display. We're working hard at having unique items to go in there and compete more effectively At the same time, we've become much more aggressive on the on-premise trade in the PA and New Jersey markets. We're seeing a faster payback in Jersey, which you would kind of expect to see at this time of year. But the strategic concept is the same in both states. Long-term we'd expect that to pay off for us.

CAROLINE LEVY: And to clarify, is the spirits issue, is the Sunday sales being allowed now?

LEO KIELY: That's exactly what I'm talking about, that's right.

CAROLINE LEVY: And I was wondering if you could comment on Texas — I mean do you ask any comments on that?

LEO KIELY: Well, yeah, I was just taking a breath!

CAROLINE LEVY: Oh, sorry! No breathing allowed! [Laughter]

LEO KIELY: You know, we faced — we face a really challenging competitive situation in Texas for going on a year now. This is — this is the most active low carb market, we see this as a low carb issue and as you know, in addition to Aspen Edge, we've taken in Coors Edge, it's a premium — the premium pricing and this is — this is frankly more about fixing Texas than it is trying to foreshadow a national launch of this brand. We just need to be more successful up against the 30 to 45, 50-year-old group that is — that has high appeal in the low carb business. That, in addition to, again, being very aggressive in young adult on-premise and the encouraging thing we're seeing in particularly North Texas is our C-store business begin to turn around and accelerate behind some young adult draws. So, but — but overall we're still — we're still facing a heavy low carb market there.

CAROLINE LEVY: And then I just wondered about your take on July 4th and why do you think — was the industry very weak or was it a share issue?

LEO KIELY: We don't know yet. We're looking market to market ourselves. A great deal of variation around markets and, you know, I really don't — until I see a couple of weeks of data, I'm not going to have a good read on that.

CAROLINE LEVY: Okay, thanks so much.

LEO KIELY: You got it.

OPERATOR: Thank you. Our next question comes from Andrew Conway with Credit Suisse First Boston.

ANDREW CONWAY, ANALYST, CREDIT SUISSE FIRST BOSTON: Hey, gentlemen.

LEO KIELY: Hi, Andrew.

ANDREW CONWAY: A follow-up on—on the question on the market—[INAUDIBLE] when we spoke, you know, at the end of the first quarter, one of the — one of the adjectives you would use is it's still a little choppy. Memorial Day was strong, July 4th was weak. Any other characterization of consumer demand that — that you could present us?

LEO KIELY: You know, I wish I had a crystal ball. And — and a — a clear explanation for you, Andrew. I will tell you that one of the things that we saw, you know, begin to materialize is some more aggressive discounting in key markets over the most recent holiday but I really don't have the, you know, the diagnostic shift to know exactly how much of an impact that was in the holiday period.

ANDREW CONWAY: Okay. And some of your DMAs, some of your key DMAs or just more broadly?

LEO KIELY: Particularly the big supermarket markets. So, that would be California, parts of Texas and Florida.

ANDREW CONWAY: Okay.

LEO KIELY: Look to us to be extremely aggressive.

ANDREW CONWAY: Okay. And if you look at — do you have a number as to how Coors Light did in the five of seven states where you had better results, in other words, excluding Pennsylvania and Texas, any sense for — for where STRs or shipment performance was?

LEO KIELY: You know, Coors Light was solid in three out of four of those states that were growing. Four out of five — excuse me—David?

DAVID BARNES, U.S. CFO, ADOLPH COORS, CO.: Yeah, the five out of seven states where we said we had growth in the quarter for the overall portfolio, four out of those five big states, Coors Light was growing, as well.

TIMOTHY WOLF: In fact, driving the growth, which is exciting.

ANDREW CONWAY: Okay. And as you look the back half of the year, with some of the action plans you have in place in Pennsylvania and — and Texas, what's your expectation on Coors Light's STR and shipment performance? I

mean should we see tangible measurable improvement 3Q and 4Q or more evolutionary in improvement?

LEO KIELY: You know, the pictures in PA and Texas are not overnight fixes. Let's be clear. The biggest part of the fix will come from new product, a mix of new products and — and heavy investment in the on-premise young adult segment and that takes longer to pay out. On the other hand, Andrew, there is a clear phenomenon going on that there will be a crossover point somewhere in the fourth quarter. And that is, it appears to us that the — it continues — the continued incursion of the low carb phenomena on our business has flattened, right? And that's going to come to a crossover point. So, the — the test of, you know, when you might see that, it's probably going to be sometime mid to late fourth quarter when a different dynamic might set up.

ANDREW CONWAY: Terrific. And one final question maybe for Tim. Just on the cost per barrel trends in the Americas, back half of the year, you know, and into '05, do we think it's continued to be manageable in the range we saw in — in 2Q or do we see a little bit a wider band on performance.

TIMOTHY WOLF: Andrew, as long as we have some of these freight and diesel fuel costs with us, I think the band will be a little bit wider than we've seen in the past. Obviously volume, you know, leveraging volume has been part of the challenge, as well and — and so I think we're — we're encouraged, but, you know, the — the fuel cost is still — the commodity cost, fuel costs are a challenge. The fourth quarter you will recall last year we did have a significant amount of additional costs, even over and above any increased costs caused by fuel because of the supply chain anamolies. So, we will get something of a giveback if you will, we'll get—we'll get a cost of goods on the fourth quarter, but I think overall we're going to be challenged because of the — the — the fuel costs.

ANDREW CONWAY: All right, thank you very much.

TIMOTHY WOLF: Yep.

OPERATOR: Thank you. Our next question comes from Mark Swartzberg with Legg Mason.

MARK SWARTXBERG, ANALYST, LEGG MASON: Thank you, operator. Good afternoon, guys. I missed a portion of the call. Please tell me if you have gone over this.

LEO KIELY: We have! [Laughter]

MARK SWARTXBERG: I'm sorry. What's that?

LEO KIELY: Go ahead, Mark, we're just teasing you.

MARK SWARTXBERG: Oh. As it relates to the second quarter [INAUDIBLE] in the U.S. can you elaborate further on the interquarter dynamic, as you said July was weak, if you could a sense order of magnitude, how the quarter progressed? I know you mentioned the retail numbers of up three early in the quarter—Memorial Day and down 3ish, but more color there would be helpful. And any color at all, I know there's not much here, but any color on how you're performing July?

LEO KIELY: You want to rephrase that?

DAVID BARNES: You're going to have to rephrase your question. I didn't get the first part of your questions, I'm sorry, Mark.

MARK SWARTXBERG: No problem. Looking for intra-quarter trends for STRs here in the U.S., a little more than what you commented on about Memorial Day and 4th of July —

LEO KIELY: Mark, I'd say that, you know, it's way too early to give you a point of view on that. You know, we came into the quarter strong with Memorial Day, we went out of the quarter weak, you know, on the 4th of July. This — this continues to be the choppy signals I've seen in the beer market for the last several quarters. But we don't have much diagnostics yet on the — on the trends coming out of the 4th of July.

UNIDENTIFIED COMPANY REPRESENTATIVE: And, Mark, part of what's making this hard to read is the point that both Leo and I made about inventories. We had — the second quarter reflected overall, really an unprecedented amount of — of change versus prior year on inventory. I mean the — the total swing was — was roughly 300,000 barrels. So, you know, getting below that and understanding the underlying trends you really have to go to the markets as — as David and Leo did earlier to really understand what's going on. We're doing that market by market.

MARK SWARTXBERG: Fair enough. Thanks, guys.

OPERATOR: Thank you. Our next question comes from Christine Farkas with Merrill Lynch.

CHRISTINE FARKAS (ph), ANALYST, MERRILL LYNCH: Thank you very much. Good afternoon, gentlemen.

LEO KIELY: Good afternoon.

CHRISTINE FARKAS (ph): I wondered if you could elaborate Leo on your revenue per barrel growth in the Americas. You mentioned 90 basis points a favorable brand and geographic mix and 50 basis points from positive Coors Light in Canada. With respect to the 90 basis points of positive brand mix, is that geography then referring to Puerto Rico or also other elements of Canada? And with respect to the brand, is that — what did Aspen Edge contribute as well as the — your new Zima brands in the quarter?

LEO KIELY: Yeah, Christine, thanks. You know, what's going on is — is a lot of pricing, helped us significantly in the second quarter. Price promotions pretty much under control. The — the two sources of mix, one is you have Zima XXX and Aspen Edge are quite profitable for us. Those gave us a lift. We also have a lift in the form of Japan, the cost of goods of our Zima in Japan is now lower. And that's given us a lift, as well.

CHRISTINE FARKAS (ph): Would your overall brand mix in the U.S. then be positive for the quarter?

LEO KIELY: Slightly, yeah. Yeah.

CHRISTINE FARKAS (ph): Great. And then the 50 basis points from Coors Light in Canada. Is that really reflecting a pricing issue or a country mix?

LEO KIELY: No, that's really more of the — the — the volume growth being much greater than the rest of our portfolio and that brings us up about a little bit about 7/10 of a percent overall.

CHRISTINE FARKAS (ph): That's helpful. And if I could just follow up with another question with respect to trends, in your shared houses versus your non-shared houses, where there any different trends there? And could you comment on your national trends and on-premise and C-store channels? Thank you.

LEO KIELY: You bet. No change each quarter. We take a look at the shared house versus — versus the rest of the system and it's still the same story. And we continue to show share gains on C-store segment, which we're encouraged by. We think that represents a young adult male channel of choice. The on-premise segment continues to be very challenging overall although it varies tremendously market to market.

CHRISTINE FARKAS (ph): And it was your growth in C-stores generally up or just down by less than the rest of your business?

LEO KIELY: No, it's — growth in the C-store channel would be up.

CHRISTINE FARKAS (ph): Great, thanks a lot.

OPERATOR: Thank you. Our next question comes from Philippe [INAUDIBLE] from CSFB.

PHILIPPE (ph), ANALYST, CREDIT SUISSE FIRST BOSTON: Yes, good afternoon, gentlemen. A few housekeeping items and one question if I may. Do you have already some indications for the depreciation/amortization CapEx and total debt at the end of the quarter, please?

LEO KIELY: At the end of the quarter?

PHILIPPE (ph): Yep.

LEO KIELY: Our — our CapEx was about $37 million all in, which is a little bit — well, pretty — pretty much close to our depreciation. Our debt payoff, as I said, was $168 million, we ended the quarter, the net debt — if I remember the number exactly, about $1,140,000,000. So, we're continuing that downward trend at a very, very nice clip. And as I mentioned, without any modernization products, we expect to add another at least another $90 million to that 168 balance of the year because we do modernization projects we'll bring it even more cash and reduce debt even further.

PHILIPPE (ph): And since I just missed the cut-off for questions this morning, can I just squeeze in one question on — on the merger, please?

LEO KIELY: Sure. You mean the merger of equals?

PHILIPPE (ph): Yes, exactly. Sorry about that. That's exactly what I meant. Sorry! I mean if you look at the — at the current rating for Coors today, as you know, Moody's had a BAA 2 and a BBB plus. Now, the merger clearly gives you more credit card mess and your colleagues mention this morning, clearly provides you with a platform to become a participant in — in the consolidation of the global beer market. Can you kind of share with us what your objectives are from a ratings perspective? I mean are you going to be happy to maintain the ratings you have today and use that incremental debt capacity to perhaps make acquisitions or would you rather like to see your ratings go up to a single A category or perhaps both?

LEO KIELY: You know, define the universe in being specific is always a challenge. I will need to hit a couple of the high points. We would—when we come together, we will have debt cap ratio, especially based on — I'm just speaking from the Coors side now, the pace at which we're paying down debt on the Coors side, we have a combined debt cap of close to 40%, maybe a percent or two even below that, point one. Point two, you know, it's hard to talk about debt capacity with any level specificity without talking about the cost of that debt. I'm not going to do our friends at the rating agency job by saying we can get an rating upgrade and have this much debt capacity. That's something they feed back to us. Clearly one of our challenges and our objectives, frankly, if my treasurer and I didn't have the objective, I expect you to smack us, is to try to help to improve our rating over time. That takes performance, that takes consistency, it takes an absence of volatility and a good management of volatility and it takes a consistent track record of generating cash and putting that cash to high value, high return purposes. So, that — that's our mindset, our goal is high value products going to be CapEx in some cases, correct. Are they going to be acquisitions, perhaps. You know, we've been very disciplined, I think Dan and his team have been very disciplined in how cash is put to work. We expect no less going forward.

PHILIPPE (ph): It's not like if you were to close the merger, let's say in the fourth quarter, as you indicated that early next year you might already start looking at acquisition opportunities, you're really going to first focus on integration and make sure that the rating agencies are happy with the progress here.

LEO KIELY: You're speculating on what we do. I think the — the objective day one would certainly be to look for cap synergies over and above what was we talked about this morning. And look for ways to further pay down debt and get ready to do good things with that cash, considering acquisitions or investing in Coors Light in Canada or investing in Molson brands in the United States.

PHILIPPE (ph): Thank you very much, gentlemen.

LEO KIELY: You're welcome. Thank you for the question.

OPERATOR: Thank you. Our next question comes from Anthony[INAUDIBLE] with Bear Stearns.

CARLOS LABOY, ANALYST, BEAR STEARNS: Yes, good afternoon. This is Carlos at Bear Stearns.

LEO KIELY: Hey, Carlos.

CARLOS LABOY: Hello. Two questions, please. I one, I hoped you could comment on your distribution coverage of Aspen Edge relative to Coors Light? How much distribution you think might still be out there to fill in for — to fill in for Aspen Edge relative to Coors Light. And if it's close to one to one or if it's not one to one, how do you get there?

TIMOTHY WOLF: You know, Carlos, I don't have the details of that sitting in front of me this morning. What I know is there is still significant distribution opportunities out there. Coors Light has — has extremely high distribution levels, virtually nationwide. What we have here is a brand, which is typical of our footprint, that's doing extremely well in — in many markets and there's still a significant opportunity in many other markets. So, our distribution and I do look at these numbers, believe it or not, weekly, but it has a very wide range to it and our team's out after it consistently and continuously. But suffice to say there's still plenty of opportunity out there.

CARLOS LABOY: Thank you. And a follow-up question: Could you expand a little bit on what's driving your New Jersey success? And are you seeing improvement just statewide throughout the whole state? Or is it just the New Jersey Shore issue? And do you expect spillover of this back to Pennsylvania after the summer ends?

TIMOTHY WOLF: You know, we really think about New Jersey and the New York market and the Philadelphia

market. We're having more — say quick response success in the northern part of the state. It's — it's a very strong market for us. New York Metro is doing extremely well for us this year. Once we get into the summer. And that's very encouraging. The challenge in South Jersey, which is more the PA challenge, because it's the PA Shore, is — is more strategic and is going to take a longer time to come back on, although I will tell you our trends in Atlantic City are very encouraging, particularly on-premise and that's a really good sign for us.

CARLOS LABOY: Thank you.

OPERATOR: Thank you. Our next question comes from Bryan Spillane with Banc of America.

BRYAN SPILLANE, ANALYST, BANC OF AMERICA: Hey, guys. Good afternoon, guys.

LEO KIELY: Hi.

BRYAN SPILLANE: Just two really quick questions. The first, to follow-up on CapEx, Tim.

TIMOTHY WOLF: Yep.

BRYAN SPILLANE: Where — where are you planning it to be for the full year? And given, you know, the potential merger of equal — are you going to be suspending capital projects that you might have had in the books or on plan in the beginning of the year?

TIMOTHY WOLF: No, our CapEx discipline has been I think really good for a while and there would be no reason to suspend good, you know, value returning projects. The range that we're — that we're working in is a 220 to $235 million sort of range give or take. And that's — that's pretty much the track we're on. You know, we — we always have a really nice opportunity, thanks to Peter Kendall and his team, to invest more behind Carling Extra Cold, there may be some opportunities there to spend a bit more than we had expected but that would be a good reason to spend more. So, we're in that 220 to $235 million range right now.

BRYAN SPILLANE: Okay. Thanks. And Leo, if you could, just comment on — your sales force, if I understood it right, going into this year you were adding some more, you know, sales coverage, especially to cover the C-store channel and I thought also some reorganization of your sales force, as well?

LEO KIELY: Yes.

BRYAN SPILLANE: Can you just talk a little bit about kind of where you stand in that process today and how effective you think it's been so far this year?

LEO KIELY: Yeah, you'd have to characterize it as still locking into place. Leadership is in place, we have probably achieved 40% of the reorganization at this point in terms of the channel focus team. We're already seeing some wins in some keychain markets and I think it's safe to say that we're beginning to see the benefits of our increased coverage in the C-store channel, which is one of the big opportunities here. But I — but we're just, you know, we're just beginning to see the potential of what this can do for us.

BRYAN SPILLANE: Has — has it — has the pace of — of the reorganization moved slower than you thought it was? I guess I was under the impression that you thought you'd have it pretty well done for the summer, although I might have been mistaken.

LEO KIELY: We're right on schedule. I think what we said is we'd implement as much as we could realistically before the summer season. During the summer we sort of lockdown and stay focused and will get back in ernest after Labor Day and get back at it again.

BRYAN SPILLANE: Okay, great. Thank you.

LEO KIELY: Thank you. Thanks for the question.

OPERATOR: Thank you. Our next question comes from Jim [INAUDIBLE] from Bear Stearns.

JIM, ANALYST, BEAR STEARNS: Hi, guys. Quick question, very merger-specific. The voting agreement references that the — that the voting agreement entrance will vote against an alternative proposal, specifically what does that mean? Is there a specific trend proposal in mind? Or is that any and all proposals?

BOB REESE, CHIEF LEGAL OFFICER, ADOLPH COORS, CO.: This is Bob Reese, Chief Legal Officer at

Coors. It's any and all proposals.

JIM: Okay. And -- and one other quick question. Are there any bond holder approvals required for this transaction?

BOB REESE: Technically, yes. But the bond holder approval are for notes that carry interest rates higher than current levels. So, if I could just put it this way, we hope that some of these bond holders tended their bonds back to us.

JIM: Okay.

BOB REESE: If you get my meaning.

JIM: Okay. And is that —

BOB REESE: I mean — That's not going to happen. I mean that's not going to happen of they're going to hold the bonds because of the returns that they have on these bonds. They do have the right to 10 of them back to us, but we don't expect them to.

JIM: Right. Right. Does the same apply to Molson as well?

BOB REESE: Cannot answer that.

JIM: Okay. Very good. Thanks guys. Appreciate it.

LEO KIELY: Thank you, Jim.

OPERATOR: Thank you. Again, if you have a question at this time, please press the 1 key on your touch-tone telephone. Our next question comes from Marc Cohen with Goldman Sachs.

MARC COHEN, ANALYST, GOLDMAN SACHS: Hi, guys.

LEO KIELY: Hi, Mark.

MARC COHEN: One thing, the sales to retailers in the United States in Americas, is down .4. Is that the number we should use just for the U.S. business alone, just for a point of clarification?

TIMOTHY WOLF: Yes, very close.

MARC COHEN: Okay. Then, Leo, can I ask you just to take a step back and think about the Coors Light brand, you know — in — in a broad sense and — and give us a bit of a state of affairs on this brand because I think you've kind of cut it—come at it a couple different—in a couple different cuts, but it's still a little fuzzy just as to exactly, you know, where you think the brand stands, what its challenges are, how it should be responding to the programs you put into place and kind of over what timeframe? I think just a step back for you to assess where that brand is and where the programs are might be very helpful.

LEO KIELY: Let me try it in three pieces, Marc. One is you have, let's just call it low-carb impact, right? Two, you have specific investments against young adult males. And three, you have specific geographic issues at any given time, right? And number one there, was a discontinuity in the market. It started September 1 last year, almost to the hour, all right? And it was Labor Day weekend last year when the share shift took place in the category. And that very quickly went to a level and stayed there, okay? In fact, that discontinuity has shifted a little bit quarter-to-quarter, but pretty consistent since the fourth quarter last year. You know, what will happen, fourth quarter this year, is we'll see how that trend overlaps and how the impact on Coors Light overlaps. And clearly we haven't sat here and done nothing in that period. We've launched Aspen Edge. We've taken a major initiative in the Dallas/Ft. Worth market. But, you know, we'll see a new fundamental trend, particularly among the big domestic brands, reset sometime during the fourth quarter. It will be interesting to see how that dynamic plays through. You with me?

MARC COHEN: Yep.

LEO KIELY: Number two, underneath that, we've consistently continued to invest in our — in our young adult cohort and we believe we're being rewarded for that. We see it in channel growth, particularly the C-store growth. And we see it in the diagnostics of the brand itself, which continues to be very healthy, significantly healthier than it was three or four years ago, among your 29 through — 21 through 29-year-old beer drinkers. We think that is good for the future of Coors Light. Number three is — you know, we watch our big share markets very closely. And in the

fourth quarter and coming into the first quarter we were in battle grounds in the majority of those markets. As we described earlier today, we're still in a battleground, but in just two of those key markets and these are very high share markets and obviously it's — it's very important for us to stay focused and turn that dynamic around. But in markets like California where we'd had a problem for going on two or three years, we're very gratified with that turn around and we're excited about the performance in New Jersey that turned around in the quarter. I think that's the way to peel the onion, Marc.

MARC COHEN: And just to follow up on that, can you just distinguish or — or distinguish for us what it is you think is driving the upturn in the Coors Light brand in those five markets where you've really seen it? You know, what — what are the one, two or three things you think have really kindled that?

LEO KIELY: Well, frankly that's where we spend our money.

MARC COHEN: Okay.

LEO KIELY: And where we're spending our money we're getting a good response for it. We do, obviously have, a significant national advertising plan. But as you know, we overlay with, again, significant overlays in our high-share markets and, you know, we're getting some good bounce on that, except in those two states, which I think have extraordinary issues.

MARC COHEN: Great, thanks a lot, Leo.

LEO KIELY: You got it!

OPERATOR: Thank you. Our next question comes from Lori Hahn with Deutsche Banc.

MARK GREENBERG (ph), ANALYST, DEUTSCHE BANK: Hi, guys, it's Marc Greenberg.

LEO KIELY: Hi, Marc.

MARK GREENBERG (ph): My question relates to the pricing environment. I think it's hardest for us to see what's happening in C-stores and on-premise. The take home data shows a few promotional pockets. Leo or Tim I wondered if you could comment that a little bit and more specifically, is that limited to just the one channel, is pricing otherwise pretty consistent?

LEO KIELY: Yeah, I think it is.

MARK GREENBERG (ph): Okay. Great. And secondly. In light of that are you constructive on further pricing actions this year and how do you feel about the embattled pricing that the imports have provided here, especially Corona and your key markets?

LEO KIELY: I think it's solid. I do.

MARK GREENBERG (ph): And so with regards to the ability to market to bear further pricing actions in the back half of the year?

LEO KIELY: I — I — I haven't seen any — we haven't seen an indication that you've got price sticker shock on the business, so, we'd be confident.

MARK GREENBERG (ph): Great. Thanks very much.

LEO KIELY: Thanks, Marc.

OPERATOR: Thank you. Gentlemen, I'm showing no further questions at this time.

LEO KIELY: Just in time, we were going to say one more! Matt, thank you very much. And thanks for being with us, everybody, today. Thanks for staying focused on the quarter. We appreciate that and thanks for those of you who were with us earlier. Thanks for being with us on our big announcement this morning. We're obviously very excited about the future. Talk to you again soon.

OPERATOR: Ladies and gentlemen, thank you for participating in today's conference. This does conclude the program. You may now all disconnect. Have a great day.

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LOAD-DATE: August 6, 2004

EXHIBIT 5

FINAL TRANSCRIPT

Thomson StreetEvents℠

RKY - Q3 2004 Adolph Coors, Co. Earnings Conference Call

Event Date/Time: Oct. 28. 2004 / 12:00PM ET
Event Duration: 46 min

OVERVIEW

3Q04 net revenue per barrel for RKY's own UK brands were up slightly more than 1.5% in local currency. 3Q04 diluted earnings were $1.68 per share. RKY reported 3Q04 net income of $64.1m. Q&A Focus: FIN 46, royalty receipt, innovation, sub-premium segment, debt repayment, productivity, revenue per barrel, cost pressure, UK restructuring, pricing trends.

FINAL TRANSCRIPT

RKY - Q3 2004 Adolph Coors, Co. Earnings Conference Call

CORPORATE PARTICIPANTS

W. Leo Kiely III
Adolph Coors Company - President and CEO

David Dunnewald
Adolph Coors Company - Investor Relations Director

Timothy V. Wolf
Adolph Coors Company - VP and CFO

Peter Kendall
Adolph Coors Company - VP,United Kingdom and Europe

CONFERENCE CALL PARTICIPANTS

Jeff Kanter
Prudential Equity - Research Analyst

Kate McShane
Smith Barney - Research Analyst

Mark Swartzberg
Legg Mason - Research Analyst

Christine Barkus
Merrill Lynch - Research Analyst

Andrew Conway
Credit Suisse - Research Analyst

Caroline Levy
UBS - Research Analyst

PRESENTATION

Operator

Good day, ladies and gentlemen, and welcome to the Adolph Coors Company 2004 third quarter earnings conference call.

(OPERATOR INSTRUCTIONS.)

As a reminder, this conference call is being recorded.

I would now like to introduce your host for today's conference, Mr. Leo Kiely, President and Chief Executive Officer of Coors Brewing Company. Sir, you may begin.

W. Leo Kiely III - *Adolph Coors Company - President and CEO*

Hello, and welcome everybody. Thanks for joining us today.

Before we start, and since we may refer to our proposed merger with Molson during our call today, Dave Dunnewald, our Investor Relations Director, will provide some information related to these statements. David?

David Dunnewald - *Adolph Coors Company - Investor Relations Director*

For those on the call, Coors has filed a preliminary joint proxy statement and management information circular regarding the proposed Molson/Coors transaction with the U.S. Securities and Exchange Commission. Stockholders are urged to read the definitive version of this document when it becomes available, because it will contain important information.

Stockholders will be able to obtain a copy of the definitive document, as well as other filings containing information about Coors, without charge, at the SEC – Securities and Exchange Commission internet site, www.sec.gov. Copies of the definitive proxy statement and management information circular, and the SEC filings that will be incorporated by reference with it, can also be obtained, again without charge, by directing a request to Adolph Coors Company, Post Office Box 4030, Golden, Colorado 80401, Attention: Shareholder Relations, or by calling 303-279-6565 and asking for Shareholder Relations.

W. Leo Kiely III - *Adolph Coors Company - President and CEO*

With me on the call today, in addition to Dave, are Tim Wolf, our Global CFO; Bob Reese, our Chief Legal Officer; Peter Kendall, CEO of Coors Brewers Limited; David Barnes, U.S. CFO; Katie McWilliams, CFO for Coors Brewers Limited; and Ron Tryggestad, our Global Controller.

Tim and I will cover two topics with you today – first, a discussion of Coors Brewing Company's third quarter 2004 results; and second, some perspective on the fourth quarter this year for our Company. Then we'll open it up for questions.

Earlier this morning, we reported third quarter total company net income of $64.1 million, up 4.4 percent versus a year ago. Diluted earnings per share were $1.68, the same as last year. These results reflect a tough volume quarter for our company. Despite the volume-related challenges, net income improved due to solid beer pricing, a one-time non-operating income, a lower effective tax rate, and favorable foreign exchange rates versus a year ago.

Now, let's review the most important drivers of third quarter results, starting with our Europe segment. Pre-tax income in the segment was $40.6 million, down 12.9 percent from a year ago. Overall, this was a difficult third quarter for our U.K. business, because of colder and very wet weather in the quarter this year, compared with unusually hot and dry weather in the same period last year.

Our Europe financial results in the third quarter were affected positively by a 12.8 percent year-over-year appreciation of the British pound against the dollar. In fact, favorable exchange rates boosted Europe pre-tax income about $4.6 million, although we gave about a third of that back through higher interest expense on our pound-denominated debt.

Now, let's look at the Europe highlights for the quarter. In the third quarter, overall volume for our owned and licensed U.K. brands declined 6.2 percent. To get an idea of how challenging the overlap was, our U.K. volume a year ago on those brands increased 14.7 percent in the quarter, largely driven by a record-setting heat wave across Europe. By contrast, poor weather this year reduced sales of consumer products, ranging from ice cream to soft drinks to beer. On a two-year basis, however, it was still up 7.6 percent in the third quarter, a very strong share-taking growth rate.

With the tough weather comps, the Carling brand declined at a low single-digit rate, but still picked up share, while Grolsch declined at a mid single-digit rate in the quarter. Volume in our on-trade business, comprising two-thirds of our Europe volume, decreased about 4.5 percent. Results continue to benefit from solid pricing in the on-trade, which helped offset the impact of lower volumes in this channel.

On-trade factored-brand beer volume was marginally ahead of last year, however, factored-brand margins declined approximately $2 million, due to mix shift changes, and declines in non-beer brand volumes. Our off-trade volume decreased about 8 percent in the third quarter, driven largely by weather impacts.

The net revenue per barrel for our owned U.K. brands in the quarter was up slightly more than 1.5 percent in local currency. This improvement was driven by solid pricing in the on-trade, and modest off-trade pricing, partially offset by negative (technical difficulty). Cost of goods sold per barrel for our own brands, excluding factored-brand sales, increased about 2.5 percent in local currency versus a year ago, driven primarily by the loss of fixed-cost leverage from lower volumes.

Marketing, G&A and administrative costs in local currency, and on a like-for-like basis, were flat, primarily due to lower promotional spend, offset by higher labor-related and information systems costs. Recall the MG&A expense a year ago was reduced by a $3.5 million gain on the sale of the rights at our Hooper's Hooch brand in Russia.

Turning now to results in our market segment, pre-tax income for this segment was $83.1 million, up 14.4 percent from a year ago. Continued strong U.S. pricing, Canada joint-venture profit performance, and the positive impact of some one-time items were partially offset by a slight decline in U.S. unit volume, and higher transportation and other costs.

Looking at our Americas results by line item, Americas sales to retail decreased 0.3 percent in the third quarter. Our U.S. sales to retail, which excludes the Caribbean and other export markets, declined 0.8 percent in the quarter. Most of the trend difference is due to higher exports to Mexico, as we ramp up our new partnership with Femsa to distribute Coors Light in that key beer market. In the U.S., the entire industry had a tough volume quarter because of generally cool, rainy weather in much of the country. Then, late in the quarter, a series of hurricanes hit the South and East, disrupting transportation and slowing sales.

Aspen Edge made up slightly more than 1 percentage point of sales to retail during the quarter. Keystone Light grew at a low single-digit rate in the quarter, while the Zima brand family, boosted by the introduction of Zima XXX flavors earlier this year, and Blue Moon, grew at strong double-digit rates in the quarter. Offsetting our growth from these brands were declines in Coors Light, Coors Original, and Killian's.

Although overall, Coors Light sales to retail declined at a low single-digit rate, our biggest brand achieved improved trends in several key areas in the U.S., including Texas, Pennsylvania and Florida.

Americas volume to wholesalers decreased 0.6 percent. Our inventories heading into the fourth quarter this year are essentially at normal seasonal levels.

In Canada, our Coors Light business continued to deliver significant profit growth, with pre-tax income up 15.9 percent to $17.5 million in the quarter, driven by higher pricing and 4.9 percent appreciation in the Canadian dollar versus the U.S. dollar. These positive factors were partially offset by a low single-digit decline in Coors Light volume, which was driven by our choice not to participate in the heavy

competitive discounting activities during the key holidays, and the continued growth of the discount segment in the beer category.

Americas net revenue per barrel increased 4.1 percent in the third quarter, driven by four factors -- about 230 basis points of U.S. pricing growth; approximately 50 basis points of brand and geographic mix in the quarter, primarily the introduction of Aspen Edge, and strong Zima and Blue Moon sales growth; and 40 basis points related to strong financial results from Coors Light in Canada; with 90 basis points then from other factors, including the payment of part of our higher diesel costs from our U.S. distributors, and a refund of a California litter tax.

Americas cost of goods per barrel increased 1.2 percent in the quarter, and several factors drove the majority of the increase. Most important, outbound transportation costs were significantly higher than prior year, with increased diesel fuel costs, and carrier pricing driven by new regulations and competitive dynamics in the transportation industry. Second, our sales mix continued to shift towards more expensive and higher margin brands and packages, the result of growth in Zima and Blue Moon, and the introduction of Aspen Edge.

Finally, lower sales volume resulted in lack of fixed cost leverage, and costs relating to the disposal of finished goods inventory were about $2 million higher than last year in the third quarter. However, finished goods disposal was less than one-third the issue that it was in the second quarter, reflecting further improvement in our supply chain performance. Most of these cost increases were offset by continued improvements in operations, productivity and by the new FIN46 accounting rule for JVs.

Marketing and general and administrative expense in the Americas increased 9.4 percent per barrel in the third quarter. About two-thirds of this increase is attributable to additional front-end investment behind Coors Light; our sales efforts, especially with key accounts; and the introduction of Aspen Edge earlier this year. The other one-third is related to overhead expense, including labor-related and legal costs.

Americas segment other income increased $6.8 million, primarily due to $4.9 million of accelerated royalty receipts from a coal mine we sold several years ago, along with a $0.8 million pre-tax gain on the sale of a warehouse.

So, at this point, I'll turn it over to Tim to review third quarter corporate and consolidated highlights, and to take a look at the fourth quarter.

Timothy.

Timothy V. Wolf - *Adolph Coors Company - VP and CFO*

Continuing with our third quarter P&L, corporate interest expense was $16.0 million in the third quarter, which is $1.8 million lower than last year due to lower debt levels this year. Interest expense this year declined, despite about $1.7 million of increased interest expense related to foreign exchange, and $800,000 from new joint-venture accounting, which has us consolidating $45 million of our Can joint-venture debt.

This year we've made payments on our debt totaling about $87 million in the third quarter, and $255 million in the first three quarters, well ahead of our repayment goals for the year. In the two and a half years since we bought the U.K. business, we have made $735 million in debt principal repayments, as of the end of the third quarter, representing nearly 44 percent of our original CBL acquisition debt. Currently our total debt to total cap ratio is approximately 41 percent, and as you'll recall, when we bought CBL, we began at about 63 percent.

Corporate G&A costs increased 4.5 million versus the third quarter of last year, driven by higher compensation and merger-related expenses. Our effective tax rate was 30.2 percent in the third quarter, as we continue to benefit from the tax impact of our CBL acquisition structure.

Looking at the bottom line, third quarter net income for the Company was $64.1 million, up 4.4 percent from a year ago. Favorable exchange rates boosted our consolidated income by about $4 million pre-tax, or 7 cents per share after tax. Diluted earnings were $1.68 per share, the same as a year ago. Diluted shares outstanding increased 4.2 percent from last year, as we focused our free cash use on debt repayment, and not share repurchases.

Higher shares reduced diluted EPS by 7 cents in the third quarter, and now, with our debt levels nearly down to our goals, we will have more cash flexibility than we had in the past two and a half years, since our CBL acquisition.

Now I'll preface the outlook session as usual by paraphrasing our Safe Harbor language. Some of what we discuss now, and

FINAL TRANSCRIPT

in the Q&A, may constitute forward-looking statements. Actual results could differ materially from what we project today, so please refer to our most recent 10-K and 10-Q, and other filings, for a more complete description of the factors that could affect our projections.

Regarding any non-U.S. GAAP measures that we may discuss during the call, please visit our website, which is www.coors.com, for a reconciliation of these measures to the nearest U.S. GAAP results.

Let me start by reviewing some factors that will affect our financial performance in the fourth quarter of 2004 by segment. In the Americas, our fourth quarter results could benefit from lapping the supply chain issues that hurt our business at the end of last year. This has implications for both costs and volume.

You may recall that the changeover to our new supply chain systems increased our costs approximately $8 million in the fourth quarter last year. Now that our new systems are running smoothly, we do not anticipate the significant costs and out-of-stock problems that we faced late last year. Our shipment compliance is now better than before the changeover.

On the other hand, our costs this year will be impacted negatively by high transportation and packaging material costs in aluminum, glass, and mix shift to bottles, that Leo referenced earlier, as well as higher labor-related costs. As always, our operations teams are working to offset as many of these cost increases as possible, through a broad range of productivity initiatives.

Fourth quarter volume comparisons should be less challenging this year, as we lap the 2.7 percent volume decline from the fourth quarter of 2003. As you may recall, this decline was driven in part by our supply chain challenges, and consumer interest in low-carb beers, which was gaining momentum late last year. Key indicators now point toward a flattening of the low-carb trend. This development is likely to ease some of the competitive pressure on Coors Light.

But let's be clear, we're not waiting for someone to turn down the heat on the category. We've been working hard all year to improve our sales and brand building efforts. Specifically, we've refocused our sales efforts. Earlier this year we launched a major effort to strengthen our business in key chain accounts where we've recently achieved improvements in our volume trends. Labor Day was the first major holiday when we saw some benefits from this refocusing effort. Chain account volume outperformed the rest of our business in the quarter, which is a reversal of the trend for recent years.

We are now also revamping our approach to the on-premise business, with substantially more resources behind growing this key trial channel. Our new on-premise programs will be fully ramped up by peak season, 2005. We've also recently rolled out a new ad created for Coors Light. Our new spots emphasize that Coors Light is packaged, shipped, and stored cold, which we believe will help our lead brand compete in an environment of increasingly aggressive product claims. We also have new creative, building on our relationship as official beer sponsor of the NFL, with heavy media weights, especially as we approach the late-season and playoff games.

Meanwhile, the U.S. beer pricing environment continues to be positive, and we're improving our Americas brand mix and revenue per barrel. In the first four weeks of the fourth quarter, our Americas sales to retail have increased nearly 1 percent, an improvement in trend versus the YTD trend. Since they represent only one-third of the quarter, these data may not be indicative of the results for the full quarter.

In Canada, we continue to expect solid performance from Coors Light, as our brand health continues to be very strong, particularly in the key provinces of Ontario and Quebec. Despite soft volume in the third quarter, we have grown share YTD in Canada. MG&A spend per barrel in the fourth quarter is likely to increase at a high single-digit rate, similar to the third quarter trend.

In Europe, our pricing and margin trends continue to be positive within the on-trade channel. We expect improved U.K. volume trends in the fourth quarter as the comparisons in the fourth quarter will be easier than in the third quarter. In the first four weeks of the fourth quarter, our Europe owned brands have increased low single-digits, a significant improvement versus a third quarter decline.

Since this only captures, again, one-third of the quarter, this snapshot may not be indicative of the volume performance for the full quarter. Also, we believe that factored-brand sales will continue to have a modest negative impact on year-over-year profits. On the other hand, we foresee higher spending on marketing and overhead, including higher costs related to information systems and servicing on-trade growth, and the U.K. rollout of Coors Fine Light Beer.

We expect to book a one-time pre-tax gain of approximately $7 million in the fourth quarter from the sale of our Cape Hill brewery property. We will not be finalizing the outsourcing of our on-trade services business this year, as originally envisioned. Last month the U.K. Office of Fair Trading referred our proposal to the Competition Commission, which will delay the ruling on our proposal until 2005, and will also delay financial impacts until then. The Competition Commission is scheduled to respond by the end of the first quarter, 2005.

Finally, if foreign exchange rates remain at today's level, we anticipate less currency benefit to our U.K. financial results in the fourth quarter than what we saw in the third.

In terms of Company-wide factors, we anticipate that our 2004 effective tax rate will be in the same range of 31 percent to 33 percent, similar to the 31.2 percent rate in 2003. As always, future events, including asset monetizations, could alter our tax rate outlook for the fourth quarter of 2004 and beyond.

As we've mentioned a number of times previously, we estimate that the new FIN46 accounting standard will have no significant impact on our full year earnings. Above the line, however, operating and pre-tax income are expected to be higher because the minority owner's share of joint-venture income is now included in these totals, while in prior years only our share was included. The quarterly impact on cost of goods sold, MG&A, and interest expense, will also be significant, with a magnitude dependent on the performance of our container and Grolsch operating ventures.

Now let me turn it back to Leo to wrap us up.

W. Leo Kiely III - *Adolph Coors Company - President and CEO*

In summary, our third quarter performance reflected volume challenges in all of our major markets, along with higher costs. Nonetheless, we grew bottom line results because of positive beer pricing, a lower effective tax rate, increased non-operating income, and favorable foreign exchange rates. In the face of a challenging environment for many beer companies, we believe that our plans are in place, and we'll improve our volume and financial performance going forward.

We also continue to work towards closing our merger of equals with Molson. The transaction has received U.S. and Canadian anti-trust clearance, and we have filed a preliminary proxy statement, and we're awaiting SEC clearance. This is a great transaction that's designed to build on the strengths of both of our companies, make us more competitive in the global consolidating beer business, and increase profits, cash flow, and shareholder value substantially, in both the short and the long term.

So, at this point, Matt (ph), back to you. Let's open it up for questions.

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS.)

Jeff Kanter, Prudential Equity.

Jeff Kanter - *Prudential Equity - Research Analyst*

Tim, I think you said, or maybe it was Leo, Aspen helped your Americas STRs by 100 basis points. You also had a day shift -- you swapped out two days of September for two days of early July, or late June. I would imagine that's a seasonal positive move. How much did that help you in the Americas segment?

Timothy V. Wolf - *Adolph Coors Company - VP and CFO*

Hardly at all, Jeff. Just virtually negligible.

Jeff Kanter - *Prudential Equity - Research Analyst*

And just -- I'm still trying to figure out exactly what you earned in the quarter on a recurring basis. First of all, in your revenue per barrel analysis, you said that there were 90 Basis points of other, and there was something about a refund? What's that all about.

Timothy V. Wolf - *Adolph Coors Company - VP and CFO*

Jeff, that's a good question. That has to do with our agreement with our distributors to share some of our fuel costs, which as you know, have increased. On a like-for-like basis, I mean, the auditors require that we reflect that in revenue, and there are all sorts of good reasons for that.

But, the revenue per barrel up 4.1 percent on a steady state going forward, fourth quarter, most of those factors -- the first three factors that Leo mentioned, and half of the 90 Basis points are what we'd expect to see going forward. So, a revenue per barrel number in the 3.5 to 3.7, 3.8 range, is probably what you could look at going forward. That's real pricing, that's mix, that's geographical mix, brand package mix.

Jeff Kanter - *Prudential Equity - Research Analyst*

So, this was a one-time agreement, because oil prices are still pretty high?

Timothy V. Wolf - *Adolph Coors Company - VP and CFO*

It'll continue for some time. But in terms of looking at the -- your first starting question, I believe, had to do with underlying --.

Jeff Kanter - *Prudential Equity - Research Analyst*

Right.

Timothy V. Wolf - *Adolph Coors Company - VP and CFO*

--Performance in the beer business. And what I'm telling you is about a third, to a little bit more than a third of that 90 Basis points, you probably want to exclude for the standpoint of looking at a clean, how is the beer business going, that revenue per barrel number.

Jeff Kanter - *Prudential Equity - Research Analyst*

Okay. And when I look at FIN46, and I see the $3.1 million improvement in the Americas in the domestic segment, do all those cancel each other out? So, if I want to find a clean number, do I strip out the $3.1 million or not?

Timothy V. Wolf - *Adolph Coors Company - VP and CFO*

Yeah, you do. I mean, on a full-year basis, it's basically (indiscernible).

Jeff Kanter - *Prudential Equity - Research Analyst*

It's basically what? I'm sorry.

Timothy V. Wolf - *Adolph Coors Company - VP and CFO*

It's basically no impact.

Jeff Kanter - *Prudential Equity - Research Analyst*

Okay. So, when you combine the 3.1 and the FIN46.

Timothy V. Wolf - *Adolph Coors Company - VP and CFO*

Correct. Because you take that all in, farther up the P&L, and then it comes out by the minority interest.

Jeff Kanter - *Prudential Equity - Research Analyst*

So, essentially what we should be stripping out then is the $4.9 million royalty receipt, and the $0.8 million pre-tax gain from the sale of the warehouse?

Timothy V. Wolf - *Adolph Coors Company - VP and CFO*

Correct. Correct. The only thing I'll mention is, and we started this gambit, I think as you know, in earnest, two and a half years ago, is we're constantly looking for assets, however small, that we just don't need to run our business, and we're trying to monetize those. So, obviously there's not a steady, forever stream of those things. But that's what you're seeing here in terms of some of these one-timers coming through.

Jeff Kanter - *Prudential Equity - Research Analyst*

Okay. So, I won't strip out the 3.1. Now there's a $4.9 million royalty receipt. Is that pre- or post-tax?

Timothy V. Wolf - *Adolph Coors Company - VP and CFO*

That's pre-tax.

Jeff Kanter - *Prudential Equity - Research Analyst*

Okay. And so what took down the tax rate to 30 percent on a recurring basis?

Timothy V. Wolf - *Adolph Coors Company - VP and CFO*

Jeff, we're more than happy to take that offline. There are many, many variables that go into that tax rate, and we're happy to share with you, and anybody else who wants to call, on the respective pieces. The bottom line headline though is that that's the consequence of the tax structure we put in place two and a half years ago with CBL. And as we monetize certain assets, depending on what the book value is, that'll move that tax rate, sometimes significantly. So, we're happy to go into the details and the science of that with you offline.

Jeff Kanter - *Prudential Equity - Research Analyst*

Okay, and that's my cue to get off.

Operator

Bonnie Herzog, Smith Barney.

Kate McShane - *Smith Barney - Research Analyst*

It's actually Kate McShane for Bonnie. I was just wondering with all the innovation that's being announced by Bud, in terms of packaging, and some of their new products, like the B-to-the-E type product, we were wondering how you are going to respond to this innovation? Or is there any innovation in your pipeline that we should be expecting to hear about soon?

W. Leo Kiely III - *Adolph Coors Company - President and CEO*

I didn't catch the name. I'm sorry.

Kate McShane - *Smith Barney - Research Analyst*

I'm sorry. It's Kate.

W. Leo Kiely III - *Adolph Coors Company - President and CEO*

Probably not a lot I want to talk to you about today, Kate. We'll talk about that as we get closer to next year's season. Suffice it to say, we're watching very closely what's going on in the marketplace. As you know, my point of view is we were late on the carb innovation. And so we're tracking anything going on very closely to make sure we understand it, and make sure we understand the category it's working in. We have what we think are robust plans for next year, and we'll introduce those to our wholesale system shortly after the first of the year.

Operator

Mark Swartzberg, Legg Mason.

Mark Swartzberg - *Legg Mason - Research Analyst*

Leo, question for you about the cost of competing here in the U.S. Obviously Miller is spending more than they were a couple years ago. Anheuser Busch is spending more looking out than they might have previously planned. You're seeing some nice trends geographically speaking in terms of mix, which are, if they sustain, a pretty powerful source of incremental funds for you guys to kind of stay toe-to-toe, if you will, in terms of marketing budgets.

So, how encouraged are you by the geographic side of things, in particular, looking out? And then as you look at other sources of funds, can you elaborate a little bit more on some of what you said about cost savings ex Molson, and cost savings with Molson? Because it remains my understanding that at least on a pro forma Molson basis, you don't intend to use any of that money, in terms of incremental marketing spend here in the U.S. But I may have missed something there.

W. Leo Kiely III - *Adolph Coors Company - President and CEO*

Mark, in terms of mix factors, I'd say the trend that has been more favorable to us, by largest proportion, has been brand mix. And we will continue to focus on keeping that healthy. Remember, brand mix really worked against us last year heavily, and it's obvious we really need to keep that portfolio in balance, because that is a really good source of funds to us. In addition to that, it's our productivity strategy that we were really focused on.

Now, everybody's going to face some pretty aggressive commodities inflation next year, so it's going to be hard to see the productivity flowing through the bottom line. But, the fact is, the game here for Coors is to take costs out of our system, all right, and be ready to reinvest them back in the marketplace.

Exhibit A on that is the work we're going to do in Shenandoah. I mean, that's a major investment, but it's an investment that yields us $25 million a year in hard cost savings that we can

invest long-term back against the marketplace. So, that's the way we look at what we've got to do ongoing to maintain competitiveness, and at the same time, be ready to drive the bottom line.

Typically our model -- and you take a look at the Coors' model, if we can grow just a point, or a point and a half, ahead of the market, and get a little bit of productivity, we can drive really fine earnings growth and be able to invest back in the market well. It's just where we are in the margin curve, right? And that's our game.

What's obviously been real frustrating in the most recent quarters has been our inability to drive that top line, because just a little bit of net positive volume growth, and our numbers tumble forward very nicely. But that's what we're focused on, and that's obviously a big theory behind what we're doing with Molson/Coors as well. So, in that case, what we've said, we've got synergies we'll drop to the bottom line. And we've been very open about having a bias to take our own productivity and be able to spend it back against the market.

Mark Swartzberg - *Legg Mason - Research Analyst*

That's great. And if I could follow specifically on the sub-premium segment, where, as you say, the Coors Light relative to Keystone Light phenomenon has improved for you all. Looking out, looks like Miller's going to be especially focused on the sub-premium segment. What are you thinking about the segment overall in terms of what it might mean for category pricing, and category mix trends? And what are you thinking about your own behavior in that segment?

W. Leo Kiely III - *Adolph Coors Company - President and CEO*

It's easier for me to talk about our own behavior. We're not heavily vested in the sub-premium brands, and so Miller is going to have to speak for their own strategy. Our point of view is we love Keystone, and we want to grow Keystone. We want to grow it profitability. This year we haven't grown it quite as fast as we did last year, frankly because we took some pricing in some markets where we needed to get it on the right basis to grow. We're still growing it, we're gaining share in a total category sense with Keystone. And we like where it is today in terms of what it's contributing to the bottom line.

Timmy?

Timothy V. Wolf - *Adolph Coors Company - VP and CFO*

Hey, Mark, just as a really good reference point to put a footnote on what Leo said earlier, if you go back four or five years ago, 100,000 barrels incremental of Coors Light made us, round numbers, about $4 million of incremental operating profit. Today, that same 100,000 barrels of Coors Light makes us over $5 million.

So, to Leo's point, our operations folks over the last four or five years have really been hitting the cost of goods challenge hard, the sort of investment Leo mentioned vis-

EXHIBIT 6

Use these links to rapidly review the document
MOLSON COORS BREWING COMPANY AND SUBSIDIARIES INDEX

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10–Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly period ended March 27, 2005

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to .

Commission File Number: 1–14829

MOLSON COORS BREWING COMPANY

(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	**84–0178360** (I.R.S. Employer Identification No.)
311 Tenth Street, Golden, Colorado **1555 Notre Dame Street East, Montréal, Québec, Canada** (Address of principal executive offices)	**80401** **H2L 2R5** (Zip Code)

303–279–6565
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b–2 of the Exchange Act). Yes ☒ No ☐

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of March 27, 2005:

Class A Common Stock—1,557,530 shares
Class B Common Stock—55,230,633 shares

Exchangeable shares:

As of March 27, 2005, the following numbers of exchangeable shares were outstanding:

Class A exchangeable shares: 2,038,000

Class B exchangeable shares: 26,496,000

In addition, the registrant has outstanding one share of special Class A voting stock, through which the holders of Class A exchangeable shares and Class B exchangeable shares of Coors Canada Inc. (a subsidiary of the registrant known as Molson Coors Exchangeco), respectively, may exercise their voting rights with respect to the registrant. The special Class A and Class B voting stock are entitled to one vote for each of the Class A and Class B exchangeable shares, respectively, excluding shares held by the registrant or its subsidiaries, and generally vote together with the Class A common stock and Class B common stock, respectively, on all matters on which the Class A common stock and class B common stock are entitled to vote. The trustee holder of the special class A voting stock and the special Class B voting stock has the right to cast a number of votes equal to the number of then outstanding Class A exchangeable shares and Class B exchangeable shares, respectively.

MOLSON COORS BREWING COMPANY AND SUBSIDIARIES
INDEX

PART I. FINANCIAL INFORMATION

Item 1.	Financial Statements (Unaudited)
	Condensed Consolidated Statements of Operations for the thirteen weeks ended March 27, 2005, and March 28, 2004
	Condensed Consolidated Balance Sheets at March 27, 2005, and December 26, 2004
	Condensed Consolidated Statements of Cash Flows for the thirteen weeks ended March 27, 2005, and March 28, 2004
	Notes to Unaudited Condensed Consolidated Financial Statements
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 3.	Quantitative and Qualitative Disclosures About Market Risk
Item 4.	Controls and Procedures

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings
Item 4.	Submission of Matters to a Vote of Security Holders
Item 5.	Other Information
Item 6.	Exhibits

12. CONTINGENCIES

Merger

Kaiser is party to a number of claims from the Brazilian tax authorities involving federal excise (IPI), social contribution (PIS and COFINS) and value-added state (ICMS) taxes. We have made a preliminary evaluation of these contingencies as part of our allocation of the purchase price following the merger, resulting in a recorded estimated liability of $176 million. An additional $65 million of claims has been specifically identified for further evaluation as to the probability of loss. Beyond these amounts, there are $273 million of claims whose probability of loss was considered remote. We intend to evaluate in detail the legal issues involved in these pre-acquisition contingencies during the allocation period. It is possible that actual amounts payable resulting from assessments by tax authorities could be materially different from the liabilities recorded.

Molson sold the Montreal Canadiens professional hockey club to a purchaser in 2001. Molson maintained a 19.9% common ownership interest in the team, as well as a preferred interest, redeemable in 2009. The shareholders of the club (the purchaser and Molson) and the National Hockey League (NHL) are parties to a consent agreement, which requires the purchaser and Molson to abide by funding requirements included in the terms of the shareholders' agreement. In addition, Molson has given certain undertakings to the lenders of the purchaser of the Canadiens and the Bell Centre (formerly the Molson Centre), such that in the event that the Canadiens and the purchaser are not able to meet their obligations, or in the event of a default, Molson shall 1) provide adequate support to the purchaser through necessary cash payments so that the purchaser would have sufficient funds to meet its debt obligations, and 2) exercise control of the entity which owns the hockey club and the entertainment business at predetermined conditions, subject to NHL approval. The obligations of the purchaser to such lenders were $75.5 million at March 27, 2005. As part of the sale transaction, Molson reaffirmed an existing guarantee of the purchaser's payment obligations on a 99-year lease arrangement (which began in 1993) related to the land upon which the Bell Centre has been constructed. Annual lease payments in 2004 were Cdn. $2.4 million, and are based on prevailing interest rates and changes in the consumer price index. Our evaluation of these issues for the purpose of allocating purchase price is preliminary as of March 27, 2005. See Note 2.

Litigation and Other Disputes

Molson Coors and many other brewers and distilled spirits manufacturers have been sued in several courts regarding advertising practices and underage consumption. The suits have all been brought by the same law firm and allege that each defendant intentionally marketed its products to "children and other underage consumers." In essence, each suit seeks, on behalf of an undefined class of parents and guardians, an injunction and unspecified money damages. We will vigorously defend this litigation and it is not possible at this time to estimate the possible loss or range of loss, if any, in these lawsuits.

Several years ago, CBL replaced a Bass-specific incentive plan with a new plan. A section of the CBL workforce made a claim to an employee tribunal for non-payment under the replacement plan in 2003. CBL was advised orally on April 22, 2005 that the employee tribunal had ruled in favor of the employee group. It is likely that CBL will appeal the initial ruling. We have estimated the potential cost of this action, if ultimately upheld against the Company to be approximately $1 million

We are involved in other disputes and legal actions arising in the ordinary course of our business. While it is not feasible to predict or determine the outcome of these proceedings, in our opinion, based on a review with legal counsel, none of these disputes and legal actions is expected to have a material impact on our consolidated financial position, results of operations or cash flows. However, litigation is subject to inherent uncertainties, and an adverse result in these or other matters, including the above-described advertising practices case, may arise from time to time that may harm our business.